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STATEMENT

OF

MR. DANIEL WILLARD

PRESIDENT, THE BALTIMORE AND OHIO RAILROAD COMPANY

BEFORE THE

SENATE COMMITTEE ON INTERSTATE  
COMMERCE

FEBRUARY 18, 1919

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The steam railroad system of the United States, of approximately 260,000 miles of main lines, representing an investment in property of about \$18,000,000,000, has been developed almost wholly by private initiative with private capital, and until December 28, 1917, the control, management and operation of this great enterprise was vested in the owning corporations, subject to governmental regulation. On the date above mentioned the President of the United States, acting under special authority granted by Congress as a war measure, took possession and assumed control of practically all the steam railroads and proceeded to operate them through duly appointed officials as if they were in fact the property of the Government—and Government control and operation of the railroads still obtains.

Unfortunately there seems to be in many quarters a lack of definite understanding of the circumstances which prompted and justified this act of the President. It has been suggested—in fact definitely stated by men whose opinions should have great weight—that the economic policy which among other things had induced the investment of \$18,000,000,000 of private capital in railroad facilities, had broken down, that private management had failed and that it has now become necessary in the public interest to abandon the policy developed through more than eighty years of actual experience and substitute therefor some new and untried experiment. Undoubtedly certain changes in our policy of railroad regulation should now be made, but the very defects which have been developed in practice under the existing plan point the way to the needed remedies.

My entire business life has been spent in the railroad service, and for nearly two years I served as Chairman of the Transportation Committee of the Advisory Commission of the Council of National Defense, and with your permission I should like to review briefly some of the circumstances which culminated in Federal control and operation of the railroads, and I shall also venture to offer some suggestions as to the essential requirements of a future policy for the regulation of the railroads.

As Chairman of the Transportation Committee of the Advisory Commission, it became my duty to make recommendations to the Council of National Defense concerning transportation matters. Almost before the Advisory Commission could be organized, however, this country entered the war, and the program of the Commission from that time forward was dominated very largely by that fact. It soon became apparent that in such an emergency the more important agencies of transportation should be so coordinated that they might, so far as possible, work together in a helpful and efficient manner, and further, that in relation to the steam roads there should be established a unity of control or direction beyond anything that had hitherto been found necessary in times of peace.

At the suggestion of the Council of National Defense a conference of the chief executives of all the principal steam railroads in the United States was called to be held in the City of Washington on April 11, 1917, and at that conference the situation was explained by the representative of the Council, and it was recommended that there be created a Committee or some agency clothed with sufficient power to bring about unity of direction of all the steam railroads in order that the transportation needs of the situation might be promptly and effectively dealt with. After a brief discussion by the executives so assembled, the following resolution was unanimously adopted:

"RESOLVED, That the railroads of the United States, acting through their chief executive officers here and now assembled, and stirred by a high sense of their opportunity to be of the greatest service to their country in the present national crisis, do hereby pledge themselves, with the Government of the United States, and with the governments of the several States, and one with another, that during the present war they will coordinate their operations in a continental railway system, merging, during such period, all their merely individual competitive activities in the effort to produce a maximum of national transportation efficiency. To this end they hereby agree to create an organization which shall have general authority to formulate in detail and from time to time a policy of operation of all or any of the railways, which policy, when and as announced by such temporary organization, shall be accepted and earnestly made effective by the several managements of the individual railroad companies here represented."



This action by the Executive Officers was promptly confirmed by the Boards of Directors of practically all the steam railroad companies in the United States.

A Committee, consisting of five railroad presidents, was appointed. The Committee established offices in the City of Washington, and proceeded immediately with its work. Other committees, representing the Electric Railways, the Inland Waterways, and Motor Transport on the highways, were also formed for the purpose of procuring greater coordination of effort between these several agencies of transportation.

My experience with these Committees convinced me that it was desirable, in fact necessary, that in time of war or unusual emergency, all of the more important agencies of transportation should be so coordinated that, taken together, and as a whole, they might be said to form a National System of Transportation. I am, therefore, under certain conditions, in full accord with the Director General when he urges the desirability of unified control of the steam railroads, but unified control, like all things else of real value, must be paid for in some manner, and the price of unified control is the sacrifice of competition of service. There cannot be unity of control and competition of service at one and the same time—the two things are incompatible. Competition of service has probably done more than any other one thing or influence to raise the standard of equipment and performance of American railroads, and as a policy it should not be lightly given up, and in no event should it be abandoned unless something else of equal or greater value be obtained in its place. I do not, however, share the views of the Director General that unified control, when desirable, cannot be had under private ownership with governmental regulation, and the information which Mr. Kruttschnitt has laid before this Committee concerning the results of unified control of the steam railroads obtained by the so-called Railway War Board, for a period of nine months preceding Federal control, affords a most substantial basis for my belief. That a condition finally developed which the voluntary organization created by the railroads, subject as it was to many statutory restrictions, was unable to deal with promptly and effectively, must be admitted, but we have the direct statement from the Director General that he also would have been unable to deal effectively with the same



situation had it not been for the fact that he was authorized by law to ignore the restrictions which applied to the railroads under private operation.

I doubt if there has ever been a proper appreciation of the confusion that was caused in this country in connection with all industrial and transportation matters, incident to the sudden change in 1917 from a peace-time to a war-time basis, and much was required besides the mere unification of the railroads to bring order out of the confusion so resulting. As time went on, however, the necessary remedies were first discovered and then applied, the war-time basis became the normal basis, and order was gradually re-established.

Senator Pomerene will recall some of the difficulties and complaints that were brought to his attention when the Railway War Board undertook in the early summer of 1917 to restrict the movement of road-building material, in order that the transportation facilities so used might be available for purposes that seemed to bear a more intimate relation to the conduct of the war. It developed that in the State of Ohio large sums of money had been appropriated for road-building purposes, much work had already been started and many miles of road under repair had been made impassable, and to discontinue at that time the movement of necessary road-building material would have resulted in a general stoppage of the work and much loss and inconvenience to the public. This situation, which was brought to my attention by Senator Pomerene, was laid before the Railroad War Board, a conference was arranged with the Highway Commissioners of the state and a program was agreed upon whereunder work already started would be completed and the necessary material for such completion would be moved; but an agreement was also reached that when the work so provided for was finished, additional improvements of that kind, if not actually necessary, would be deferred in order that the transportation facilities so used might be applied to other and more important purposes. I mention this case as simply one of innumerable instances of a similar kind that had to be dealt with in the early days of the war. It was not possible at that time, or in any event did not seem wise, for the railroads to place such restrictions upon the ordinary peace-time commerce of the country as were found to be necessary and practicable later on. It will of course be understood that at the time



to which I refer, the railroads as common carriers had no legal right to withhold cars from anyone desiring to ship, regardless of the character of the shipment.

The congestion of freight traffic at the eastern terminals in the Fall of 1917, referred to by the Director General, was due largely to an unprecedented condition of commercial and industrial readjustment which the railroads were obliged to deal with, while at the same time having some regard for the existing rules and regulations established by law.

During the Summer and Fall of 1917, for instance, there was an entire lack of adequate machinery or organization to deal with the export situation. Not infrequently arrangements were made to assemble at the Atlantic seaboard, cargoes of foodstuffs, we will say, for an expected steamer, only to learn when the steamship arrived—sometimes even after it was partly loaded—that under the exigencies of the foreign situation, munitions were more urgently required than foodstuffs, and freight already in the vessel's hold would be removed and extra efforts made to hastily accumulate such a cargo as the needs of the situation required. This condition of course resulted in a gradual accumulation at the several North Atlantic ports. Later on Export and Shipping Control committees were created to deal with such matters, and arrangements were made so that freight proceeded forward in a more orderly manner.

These particular questions and many others of a similar kind were not primarily and entirely matters of railroad control and operation, although closely related thereto, but were problems that developed, and naturally so, out of a condition of world war, and later on were dealt with more or less effectively by the different governmental agencies established for that purpose.

It has frequently been asserted that the steam railroads in the United States under private ownership had broken down, and that it became necessary on that account for the Government in a time of great and unprecedented emergency to take possession and assume control of the physical properties. I cannot agree with those who hold that opinion, nor can I find anything in the record of performance of the Carriers under private control and operation, or in the record of performance during twelve months of Federal control and operation that gives support to that assertion. On the contrary, the record of actual performance under



Federal control of the same properties with almost exactly the same facilities and with substantially the same official staff, is the best and most convincing evidence that the railways, both as to physical properties and personnel, had not only *not* broken down but were in fact most efficient agencies of transportation.

I was not opposed to the taking over of the railroads by the President in December, 1917. Congress itself had foreseen the possible necessity for such action *as a war measure* and had provided for it by suitable legislation passed eighteen months before, and at a time when the railroads were carrying a greater volume of traffic than ever before, and when no one ventured to suggest that they were even threatened with breakdown.

What actually happened was this,—railroad facilities, particularly in the East, have been developed to meet the normal peace-time requirements of commerce, with an excess capacity sufficient for such increased demands as might reasonably be expected, and while there have been times when the railroads, or some of them, were unable to fully meet the temporary demands for transportation, upon the whole they seem to have met the situation as well as might reasonably be expected. Motives of self-interest prompted the Carriers to do that much, and to do more would have been contrary to principles of wise and prudent public policy. Centers of industry and population, commercial or traffic routes, and habits of trade are matters of slow growth and in times of peace are not subject to quick or violent changes. Conditions growing out of the war, however, brought about radical, unexpected and sudden changes. Existing industrial centers were greatly enlarged, new centers of population and industry were hurriedly created; ships engaged in coastwise traffic were withdrawn and the tonnage which had previously been carried in that manner was thrown upon the railways. The natural confusion resulting from these changes was reflected in lack of orderly coordination of shipments and facilities. The railroads as common carriers were required, even in such an emergency, to square their operations with some regard for the regulations and limitations provided for peace-time conditions, but even so, they carried tonnage of all kinds to the seaboard so much faster than it could be absorbed or taken away by the ocean carriers, that the eastern terminals first, and others afterward, became seriously congested or blocked. A policy of enforced competition based upon Congressional enact-



ments did not and could not readily adapt itself to the unforeseen situation. Further, the control over railroad rates and practices which had been vested in the State and Interstate commissions could not be, or in any event was not, so exercised as to promptly and amply satisfy the changed conditions brought about by the war, and consequently the financial condition of many of the carriers, because of rapidly mounting cost of operation, became critical. In short, a policy of regulation designed to deal with peace-time conditions, failed to satisfy the requirements created by war, and we are now confronted with the problem—if private ownership is to continue—of providing such a system of regulation as will not only properly protect and promote the interests of the public and the carriers in times of peace, but which will also quickly and easily adjust itself to the requirements either of peace-time or war-time emergency.

Private ownership and operation of the railroads as a policy have not failed. Regulation as a government policy has not failed. It has been clearly shown, however, that a system of regulation designed for peace-time conditions might not, and in fact did not, properly function in time of war, and as it was necessary to act promptly, the Government assumed control of the railroads and proceeded to run them as if there were no restrictive laws and regulations.

Actual experience now leads to the conclusion, so it seems to me, that the railroads under private ownership, and subject always to governmental regulation, should be lawfully authorized to do whatever would be done in the public interest under Government ownership and operation, or is actually being done in such interest at the present time under governmental control and operation.

I am familiar with the recommendations that have been submitted to this Commission by Mr. Cuyler on behalf of the Association of Railway Executives, and further and ably elaborated by Mr. Thom, and I approve and endorse the general plan so outlined, because I believe that if adopted and put in effect with a firm desire to make it succeed, it would provide such method of procedure and such agencies of control as would enable the railroads in the future under private ownership to deal promptly and effectively with any probable emergency which might arise, and, in connection therewith Congress will establish a definite and adequate rule for rate-making as related to the invested capital, the

credit of the Carriers which has been seriously disturbed by the uncertainties of the past will again and in time be sufficiently restored to attract the large sums of new capital constantly required for the additional facilities and equipment necessary to keep pace with the growing commerce of this country.

I have listened to the report and recommendations submitted by Mr. Clark on behalf of the Interstate Commerce Commission, and to his suggestive comments thereon, and if his recommendations should be adopted and made effective by suitable legislation, I believe they also would go far towards meeting the requirements of the situation. The two plans have much in common, but the one suggested by Mr. Cuyler would give to the Interstate Commerce Commission exclusive authority to deal with all rates and security issues, would have Congress provide a definite rule for rate-making, and would create a new Department of Transportation, the head of which would have a seat in the President's Cabinet. Such a Department, in my opinion, is desirable primarily in order to bring about that cooperative development and use of the different agencies of transportation which are needed in the public interest. There are in this country at the present time approximately 260,000 miles of steam railroads, 48,000 miles of electric railways, 26,000 miles of navigable rivers exclusive of lakes and canals, and about 2,500,000 miles of highways. These several agencies of transportation, taken as a whole, may be said to constitute our national system of transportation, and how to develop and secure the fullest and most economic use of all of these several agencies, constitutes our transportation problem in its broadest sense. There is now no single officer or agency of the Government whose duty it is to study the transportation problem as a whole. A Secretary of Transportation could perform that duty and at the same time could relieve the Interstate Commerce Commission of much of the purely administrative work now imposed upon that body. It is not proposed, nor is it desirable, that the Secretary of Transportation should have executive authority either over the personnel or physical property of the railroads or other transportation agencies. It is suggested that he should study the transportation problem as a whole and advise the President how the public interests may be best promoted in that connection.



There is no escaping the fact that since 1910 the clearly established trend of railway credit in this country has been steadily downward, and while many different matters may and do affect financial credit, nothing can possibly create or support such credit in the absence of adequate and assured income, and railway income is dependent primarily upon the rates and charges a railway is authorized to collect for the service which it performs. Commissioner Clark, speaking for the Interstate Commerce Commission, said—"The rates should not be higher than the shipper may reasonably be required to pay, and should not be lower than the carrier may reasonably be required to accept." This rule for rate-making, while seemingly equitable and fair, is indefinite and fundamentally uncertain in its application and on that account is unsatisfactory as a basis for credit, and it was because the need of a definite and dependable rule for rate-making as related to invested capital was believed to be essential, that the Railway Executives have recommended that Congress provide such a rule.

Mr. Warfield on behalf of the "National Association of Owners of Railroad Securities" has proposed a definite rule for rate-making. His recommendation, as I understand it, contemplates that rates shall be established in each of the so-called rate regions so as to yield, as nearly as may be, a fixed percentage return upon the combined value of the property devoted to the public use by the railroads in that region, with the limitation that if any individual carrier in such region shall be able to earn from rates so fixed a greater return upon the value of its property than the rate per cent. fixed for the region, two-thirds of such excess shall go to the Government. While this plan does not contemplate a positive guarantee of any fixed amount, it would afford a definite guide or measure and would in my opinion be a decided improvement upon the methods of the past. He suggests that 6 per cent. be the fixed rate of return upon the value of the property as shown by the book investment account of road and equipment. While I recognize that the rate of return to be allowed, the manner of ascertaining the value of the property, and the disposition of so-called excess earnings may well be matters for discussion, I think there can be no difference of opinion concerning the soundness of the principle underlying his recommendation, and I firmly believe that no less a rate of return than 6 per cent. upon no less an amount than the combined book property investment account of all the

railroads taken as a whole, will be sufficient to establish and sustain the credit of the Carriers. My own study of the problem leads me to the conclusion that a rate of return of  $6\frac{1}{2}$  per cent. upon the combined property investment account of all the railroads is not too large, and a rate of 6 per cent., I fear, may prove to be too small, and it may be fairly said that the success or failure of private ownership of the railroads as an economic policy, rests upon the wise and correct determination of this particular phase of the problem. When we say that the net operating income of a railroad is equal to 6 per cent. upon its property investment or invested capital, it must not be assumed that the whole of that amount is available for interest and dividends, because experience has shown that not less than  $\frac{1}{2}$  per cent. upon invested capital, and preferably more, must be spent each year by public utilities such as railroads, for additions and improvements which do not increase the earning capacity of the property, and inasmuch as such expenditures must be made and cannot be charged to operating expenses, they must either be paid for out of operating income or else be capitalized, and the latter course would mean ultimate financial disaster. It is for this reason that I doubt whether a return of 6 per cent. upon property investment—which would really mean not more than  $5\frac{1}{2}$  per cent. for interest and dividends—would be sufficient to properly sustain credit through a series of years.

In the application of such a plan as the Security-holders suggest, it should be kept in mind that in no event would any individual Carrier receive excessive returns, because of the participation of the Government in all earnings in excess of a fixed amount; the excess earnings so accruing to the Government should be used in such manner as would best serve the public interest.

All are seemingly willing that railroads should be permitted in the public interest to pay a fair return upon the fair value of their property devoted to the public use, but I am convinced that it has now become necessary that someone speaking with authority should say definitely what is a fair rate of return and upon what definite amount. Congress undoubtedly has authority to fix the rate of return on property devoted to the public use, and until some fairer or more accurate basis is found for determining the value of the railroad properties so used, I respectfully submit that



the book investment accounts of the Carriers as a whole afford the best evidence of such value.

As bearing directly upon this phase of the general problem, the Interstate Commerce Commission in 1914 unanimously found that a return of 5.36 per cent. upon the combined book investment in road and equipment of the thirty-eight railroads involved in the Five Per Cent. Rate Case was lower than was justified either in the public interest or in the interest of the Carriers, and upon that basis authorized the Carriers to advance their rates. At that time interest rates were upon the average about one-fifth lower than they are today, or are likely to be in the immediate future, and if 5.36 per cent. was too low then, 6 per cent. now would seem not too high when applied to the same basic account. While the Commission was careful to say in connection with this decision that its use of the book property investment account should not be construed as an endorsement on its part of the correctness of such account, it did, nevertheless, recognize the fact that even upon that amount a return of 5.36 per cent. was too low.

Under such a plan as I am discussing, it would of course be the duty of the Interstate Commerce Commission or some other agent of Congress to see that an adequate rate structure was established and maintained, and in that connection it would be a mistake, I believe, to minimize the difficulties growing out of our present dual system of rate regulation. It seems clear that Congress has ample authority to deal with this matter if it chooses to do so. I am in favor of leaving the States as free as possible to deal with all matters affecting transportation, subject only and always to the one qualification that they shall not seek or be permitted in the interest of any particular State to place an undue burden upon the commerce of all the other States.

The labor phase of the railroad problem is indeed most important as has already been pointed out, but, as has been shown by Mr. Garretson, it is a common factor to be dealt with under any form of control or operation. Clearly it is in the public interest that those who man the trains and engines or whose duties are in any way related to the safe and proper operation of the roads, should be a selected and reliable class of men, and it is also in the public interest that they should be well paid and provided with safe and suitable working conditions, and further, after they have become incapacitated for the more exacting duties of the railroad service,

they should be provided if possible either with work more suitable to their physical condition, or with a pension or annuity based upon their average earnings over a period of years, and the expense incident to this reasonable arrangement should be included in the cost of the service rendered to the public.

When questions arise concerning wages or working conditions, involving matters that cannot be settled directly between the officers and the employes, it would seem not unreasonable nor unfair to provide by law that the questions in dispute should be submitted to some impartial body selected to deal with such matters. The controversy should be promptly investigated and the facts made known to the public, and then if the parties fail to reach an understanding, there should be a certain period, perhaps thirty days, during which it should be unlawful to bring about either a lockout or a strike, the effect of which might impair the regularity of the train service. I am opposed to so-called compulsory arbitration. I do believe, however, that in the case of the great transportation companies where the service is affected with a public interest, that the freedom of labor as well as the freedom of the capital employed in such undertakings may be fairly subjected to certain limitations. The so-called Newlands Act, designed to deal with such questions, has not in my opinion wholly fulfilled the expectations of the framers of the act.

I am not in favor of such a division of excess profits with labor as Mr. Warfield suggests, because such a plan in my opinion would be extremely difficult of fair application and does not rest upon the right principle. I believe thoroughly in good wages, and if a man does work of unusual value he should receive unusual reward, but the two should go together, and that would not necessarily follow under Mr. Warfield's plan. I agree fully with the idea advanced by Mr. Plumb on behalf of the Four Brotherhoods that the best results will be obtained when men are actuated by hope of reward, and not by fear of punishment, and in no line of gainful endeavor has there been greater opportunity for advancement and reward than in the railroad service. Private ownership will preserve the conditions which have made such advancement possible. Hundreds of boys have entered the railroad service at the very bottom of the ladder, and without wealth or influence have risen by virtue of personal application, skill and merit to positions of prominence, influence and honor, and while, because



of the semi-public character of the service, railroad officers have not the same opportunities to acquire wealth that are offered in other lines of endeavor, the opportunity which such a career has offered in the past for constructive service has made railroading, as a career, attractive. The very great majority of the railroad officers today from the lowest to the highest have reached their present positions through well established lines of promotion and because they were believed to be fitted for the enlarged responsibilities placed upon them. Having entered the railroad service as an unskilled laborer when only eighteen years old, I have seen and known the things of which I speak. Private ownership and operation will preserve and enlarge the opportunities to which I have referred. Government ownership and operation, in my opinion, would in a large degree destroy them.

Director General McAdoo in his very interesting report referred specifically to a number of different reforms which he recommended be continued under whatever form of control might ultimately be decided upon. I agree fully with his recommendations in that connection with two or possibly three exceptions. The exceptions in mind are, in my opinion, of somewhat doubtful value, but even so I would favor giving them careful consideration. I am opposed, however, to the five year extension of the period of Federal control, recommended by the Director General, because I believe that if such extension is granted, that by the end of that period it would be practically impossible to restore the roads to the owners, and Government ownership would be the only alternative, and I am opposed to the policy of Government ownership and operation of the railroads. Director General Hines has stated to this Committee that, "In itself continued Government operation of the railroads is not necessary for the rendition of the public service, and will be increasingly difficult and therefore on its own merits as a separate executive proposition ought to be discontinued promptly unless there can be an extension which will remove the difficulties." The occasion which justified the taking over of the railroads having passed, it is now, so it seems to me, the clear and peremptory duty of the Government to restore, as soon as may be, the properties so taken, to the rightful owners. This should be done as soon as Congress can provide, by suitable legislation, for the relinquishment of Federal control. In the meantime it is certainly the moral duty of the Government to

protect the property from unnecessary harm or disarrangement, in order that it may be restored in "As good repair and in substantially as complete equipment as it was in at the beginning of Federal control."

I have carefully considered the plan submitted by Mr. Plumb on behalf of the Four Brotherhoods. Aside from the fact that I believe his conclusions are erroneous concerning the possible savings to be effected in cost of capital, it seems to me that his plan has all the objections which in my mind are associated with Government ownership and operation. He proposes that the Government should furnish the facilities and capital needed, and that the railroad officers and employes should operate the properties, and, having a two-thirds majority of the Board of Directors, they would evidently be in position to manage the properties as they might elect, and while I have no doubt it would be their honest purpose to operate the roads efficiently, I simply do not believe that efficient operation would be possible or probable under the plan they propose.

Frequent references have been made during the progress of this hearing to the large annual saving in cost of capital which could be effected if the railroads were owned or at least financed by the Government, and it has been suggested that the Government could obtain the necessary capital at four and one-half per cent. I venture in this connection to call the attention of the Committee to the statistical statement submitted by Commissioner Clark. It will be observed that the operating revenues and the operating income of the railroads during the year ended June 30, 1916, were the largest of record. The operating income of that year, at \$1,043,839,822, was equal to 5.9 per cent. upon the book property investment as reported to the Interstate Commerce Commission, and was substantially the same rate of return upon property investment that is recommended in the Security-holders' plan; but the amount paid out for interest and dividends during the same year, at \$816,643,910, was only 4.6 per cent. upon the book property investment account. The difference between the amount earned and the amount distributed in interest and dividends, equal to \$227,195,912 or 1.2 per cent. upon the property investment, was reported as surplus and undoubtedly was used in large measure to meet expenditures of the character which I have already suggested should be paid for out of operating income.



During the same year it also appears that upon the total funded debt of all the railroads, aggregating \$10,938,086,453, interest payments amounting to \$474,534,514 were made, equal however to only 4.34 per cent. It appears, therefore, that nearly \$11,000,000,000 of the existing railroad capital received less than 4.5 per cent., and clearly there could be no immediate saving by Government purchase or otherwise, upon that portion of the existing capitalization. Railroad credit under wise governmental regulation should be second only to the credit of the Government, and as it falls below that standard, to that same extent does it reflect adversely upon the wisdom and operation of our scheme of regulation.

If Congress, as a minimum program:

1. Will provide a definite and workable rule for rate-making as related to capital, by fixing an adequate percentage ratio of railway operating income to the combined property investment account of the railroads as a whole, along general lines such as I have discussed; and
2. Will affirmatively authorize the railroads to combine their properties and operations, subject to governmental approval, as and when shown to be desirable in the public interest; and
3. Will affirmatively authorize the carriers to issue securities for construction, equipment, enlargement of their properties, and for the refunding of obligations, subject to exclusive supervision of the Federal Commission; and
4. Will provide for the extension, for a reasonable period, of the indebtedness of the Carriers to the United States for advances and loans made by any governmental agency during Federal control; and
5. In addition thereto, will either create the new agencies which have been suggested, or enlarge and extend the existing regulating agencies so that matters requiring governmental determination may be promptly disposed of;

Congress will then have dealt with the matters fundamentally essential at this time. With such legislation, I believe that the difficulties which have confronted private ownership and operation of the railroads in the past will be very greatly reduced if not entirely eliminated, that the railroad credit will be re-established and that the public will be provided with ample transportation facilities at reasonable rates and at lower rates than they would be required to pay under Government ownership or control.





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